

## Daily Treasury Outlook

7 February 2025

### Highlights

**Global:** US equities closed mixed on Thursday as markets await tonight's US payrolls print. The S&P and Nasdaq were up by 0.4% and 0.5%, but the Dow was down by 0.3%. The DXY index closed marginally higher from previous close. Similarly, treasury yields have edged higher, with the 2Y UST and 10Y UST yields closed higher from their previous close to 4.21% and 4.43% respectively. Gold closed lower after reaching an all-time high of ~USD2882/oz on Wednesday. Last night, the Bank of England (BoE) cut its policy rate by 25bps to 4.50%, as widely expected. In terms of the voting pattern, the MPC voted by a majority 7-2 in favour of the reduction. Interestingly, two members (Dhingra and Mann) voted to reduce the bank rate by 50bps to 4.25%. Policymakers pointed to "progress in reducing inflationary pressures" as a factor in their decision but cautioned of a bumpy path before falling back to the 2% target. BoE Governor Andrew Bailey said that the BoE would take "a gradual and careful approach to reducing rates further". Simultaneously, BoE revised higher its 2025 CPI inflation forecast to 3.5% from 2.75%. Headline CPI is expected to peak at around 3.7% in 3Q25, up from the previous forecast peak of 2.8%, before falling back to its 2% target in 4Q27. This is two quarters later than its previous projections. Meanwhile, growth for 2025 has been halved to 0.75%, down from the previous forecast of 1.5%. Our house view is for an additional 75bps cut for the rest of this year. On the data front, the weekly US labour market data printed higher than expected. Initial jobless claims rose higher by 5.3% to 219k (week ending 1 February). Similarly, continuing claims rose by 1.9% to 1.89mn (week ending 25 January).

**Market Watch:** Market attention will remain squarely on US payrolls for January. Consensus expects a net addition of 175k jobs and average hourly earnings growth to hold steady at 0.3% MoM. Elsewhere, Reserve Bank of India will meet today; we and consensus are expecting a 25bp cut to 6.25%. Additionally, Malaysia will release its Industrial Production print for December. ECB officials Escriva and Guindos and BoE Pill will speak today. Fed Bowman is also expected to speak today.

**Commodities:** Crude oil benchmarks extended losses for the second consecutive trading session, with WTI and Brent declining by 0.6% and 0.4%, respectively, to close at USD70.6/bbl and USD74.3/bbl. The decline in oil prices was driven by US President Donald Trump's renewed pledge to lower crude oil prices by bolstering domestic oil production. This more than offset the upward pressure on oil prices from his recent directive to tighten and enforce sanctions on Iranian oil exports.

### Key Market Movements

Equity	Value	% chg
S&P 500	6083.6	0.4%
DJIA	44748	-0.3%
Nikkei 225	39067	0.6%
SH Comp	3270.7	1.3%
STI	3830.4	0.4%
Hang Seng	20892	1.4%
KLCI	1585.2	0.7%
	Value	% chg
DXY	107.689	0.1%
USDJPY	151.41	-0.8%
EURUSD	1.0383	-0.2%
GBPUSD	1.2435	-0.6%
USDIDR	16330	0.3%
USDSGD	1.3506	0.2%
SGDMYR	3.2764	0.0%
	Value	chg (bp)
2Y UST	4.21	2.50
10Y UST	4.43	1.61
2Y SGS	2.74	-0.40
10Y SGS	2.82	-2.91
3M SORA	2.88	-0.59
3M SOFR	4.48	-0.55
	Value	% chg
Brent	74.29	-0.4%
WTI	70.61	-0.6%
Gold	2856	-0.4%
Silver	32.18	-0.4%
Palladium	984	-1.0%
Copper	9277	0.4%
BCOM	104.33	0.2%

Source: Bloomberg

## Major Markets

**CN:** The US postal service initially suspended acceptance of international packages from China and Hong Kong but reversed this decision a day later. The initial suspension followed President Trump's executive order eliminating the de minimis exemption, which previously allowed packages valued under \$800 to enter the U.S. without duties or inspections. The USPS gave no specific reason for the reversal but stated it would collaborate with Customs and Border Protection to implement a collection process for the new tariffs to avoid delivery disruptions. Overall, changing the de minimis policy in the U.S. generally requires congressional action because the threshold is set by law. President Trump would likely to continue to test the boundaries of presidential power but the change may also be swift once he hits the wall.

**MY:** Minister of Investment, Trade, and Industry Tengku Zafrul Aziz noted that he sees minimal impact on the country's semiconductor exports to the US following the recent tariff announcement, as Malaysia was excluded from the latest tariff measures. Minister Aziz highlighted that US investments in Malaysia remain strong, with MYR5.1bn recorded in the third quarter of 2024. Malaysia has also signed a cooperation agreement with the US to enhance the resilience of the semiconductor supply chain, reinforcing bilateral trade and investment ties. Minister Zafrul added that the government continues its efforts to strengthen economic relations and maintain Malaysia's position as a key investment destination, ensuring a stable and investor-friendly environment to mitigate potential tariff risks.

**ID:** The government has ordered the suspension of development in the Lido Special Economic Zone, which includes a Donald Trump-branded luxury golf course, due to environmental violations related to rainwater runoff management by the developer, as reported by Bloomberg. The Environment Ministry's intervention was prompted by concerns over sedimentation and shallowing in the area. Located about 60 kilometres from Jakarta, the Lido SEZ is promoted as a premier tourist destination, and the golf course opened in July 2022 after delays related to the pandemic.

**VN:** The headline CPI rose to a six-month high of 3.6% YoY in January 2025, up from 2.9% in December 2024, and also beat consensus expectations (Consensus: 3.1%, OCBC: 3.2%). The higher CPI was led by a notable uptick in the food and foodstuff category (4.4% YoY in January, up from 3.9% in December) and health and personal care (14.1% from 5.3%), which more than offset the weaker inflationary pressures in other key components, such as housing and construction materials (4.9% from 5.2%), while deflation in the transportation sector continued (-0.4% from -0.9%). In other data, Vietnam's industrial production index (IPI) growth slowed to 0.6% YoY in January, down from 8.8% in December.

**TH:** Headline CPI rose to 1.3% YoY in January, up from 1.2% in December 2024. Meanwhile, core inflation held steady at 0.8% YoY for the fifth consecutive month. The main driver of higher inflation was driven by food (1.8% YoY versus 1.3%), and recreation (0.5% versus 0.4%). This more than offset lower inflation in transport (2.1% YoY versus 2.7%) and medical (-0.5% YoY versus -0.4%). On monetary policy, we maintain the view that the BoT's rate cuts will be shallow. The BoT will implement another 25bp rate cut, bringing the policy rate down to 2.00% in 2025.

## ESG

**MY:** Malaysia is seeking to finalise the ASEAN Declaration on Environmental Rights during its chairmanship this year. The declaration, developed by the ASEAN Environmental Rights Working Group in 2022 during Cambodia's chairmanship, is still under discussion and plans to establish regional standards for implementing international norms on environmental rights.

**ID:** The US has exited from its role as a co-leader alongside Japan in Indonesia's Just Energy Transition Partnership (JETP), which aims to mobilise about US\$20bn in loans and grants from developed nations to accelerate Indonesia's transition away from coal. While Indonesia foresees challenges related to the financing of energy transition projects, it remains committed to developing new and renewable energy projects. Environmental groups in Indonesia and elsewhere in Asia are also looking to China to fill the climate leadership void in the absence of the US.

## Credit Market Updates

**Market Commentary:** The SGD SORA OIS curve traded lower yesterday with shorter tenors trading 0-1bps lower, belly tenors trading 1bps lower and 10Y trading 2bps lower. US tariff news continues to influence markets. Bank of Canada Governor Tiff Macklem raised the negative impact of US tariff threats on business and household confidence in Canada and Mexico. In the US, Ford Motor Co.'s rating outlook was changed from stable to negative by one credit rating agency, raising its fallen angel risk. The rating action reflected potentially weaker future earnings from lower vehicle prices, higher cost new-model launches and tariff threats. Conversely in January, Indian companies raised ~USD2.8bn in dollar bonds, the highest monthly total since January 2022, as they navigated Trump-induced volatility. Per Bloomberg, Hemant Mishr, chief investment officer at S CUBE Capital, expects further growth in issuances due to anticipated US Fed rate cuts and strong demand for Indian bonds, seen as safer than other emerging-market options. On other emerging market news, West African Development Bank priced a USD500mn hybrid (BOAD 8.2% '55c30s) that is notable for its partial equity treatment following a methodology adjustment by Moody's despite the bonds having a fixed maturity and other debt like features. Bloomberg Asia USD Investment Grade spreads tightened by 2bps to 72bps while Bloomberg Asia USD High Yield spreads tightened by 9bps to 421bps. (Bloomberg, OCBC)

### New Issues:

There were three notable issuances in the Asiadollar markets yesterday.

- Mizuho Financial Group Inc priced USD1.9bn debt in three tranches: a USD700mn 6.25NC5.25 Fixed bond at T+82bps, a USD300mn 6.25NC5.25 FRN bond at SOFR+108bps and USD900mn 11.25NC10.25 Fixed bond at T+98bps.
- Korea Electric Power Corp priced a USD400mn 3Y Fixed bond at T+58bps.
- Yueyang Construction and Investment Group Co Ltd priced a USD220mn 5Y Fixed bond at 5.55%.

There were no notable issuances in the Singdollar markets yesterday.

### Mandates:

There were no notable mandates yesterday.

## Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	107.689	0.10%	USD-SGD	1.3506	0.16%
USD-JPY	151.410	-0.79%	EUR-SGD	1.4023	-0.03%
EUR-USD	1.038	-0.19%	JPY-SGD	0.8917	0.92%
AUD-USD	0.628	-0.03%	GBP-SGD	1.6794	-0.40%
GBP-USD	1.244	-0.56%	AUD-SGD	0.8487	0.15%
USD-MYR	4.436	0.28%	NZD-SGD	0.7665	-0.05%
USD-CNY	7.285	0.18%	CHF-SGD	1.4924	-0.20%
USD-IDR	16330	0.28%	SGD-MYR	3.2764	0.00%
USD-VND	25258	0.37%	SGD-CNY	5.3989	0.06%

## SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	2.6160	0.08%	1M	4.3169	0.00%
3M	2.5290	-0.47%	2M	4.3062	-0.08%
6M	2.4760	0.04%	3M	4.3025	-0.05%
12M	2.3690	0.81%	6M	4.2578	0.02%
			1Y	4.1833	0.04%

## Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
03/19/2025	-0.156	-15.6	-0.039
05/07/2025	-0.429	-27.3	-0.107
06/18/2025	-0.818	-38.9	-0.205
07/30/2025	-1.045	-22.7	-0.261
09/17/2025	-1.366	-32.1	-0.341
12/10/2025	-1.754	-20.9	-0.439

## Equity and Commodity

Index	Value	Net change
DJIA	44,747.63	-125.65
S&P	6,083.57	22.09
Nasdaq	19,791.99	99.66
Nikkei 225	39,066.53	235.05
STI	3,830.42	15.05
KLCI	1,585.17	10.66
JCI	6,875.54	-148.69
Baltic Dry	771.00	18.00
VIX	15.50	-0.27

## Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.74 (-)	4.21(-)
5Y	2.75 (-0.02)	4.27 (+0.03)
10Y	2.82 (-0.03)	4.43 (+0.02)
15Y	2.83 (-0.03)	--
20Y	2.83 (-0.03)	--
30Y	2.8 (-0.03)	4.64(-)

## Financial Spread (bps)

	Value	Change
EURIBOR-OIS	#N/A	N/A
TED	35.36	--

## Secured Overnight Fin. Rate

SOFR	4.33
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## Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	70.61	-0.59%	Corn (per bushel)	4.953	0.4%
Brent (per barrel)	74.29	-0.43%	Soybean (per bushel)	10.605	0.3%
Heating Oil (per gallon)	239.80	0.58%	Wheat (per bushel)	5.878	2.7%
Gasoline (per gallon)	207.47	1.17%	Crude Palm Oil (MYR/MT)	45.090	0.5%
Natural Gas (per MMBtu)	3.41	1.43%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9276.50	0.40%	Gold (per oz)	2856.3	-0.4%
Nickel (per mt)	15811.00	1.78%	Silver (per oz)	32.2	-0.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Economic Calendar

Date	Country	Item	Period	Survey	Actual	Prior	Revised
02/07/2025 00:00	CH	Foreign Reserves	Jan	\$3192.00b	--	\$3202.36b	--
02/07/2025 12:00	MA	Industrial Production YoY	Dec	5.00%	--	3.60%	--
02/07/2025 12:30	IN	RBI Repurchase Rate	07-Feb	6.25%	--	6.50%	--
02/07/2025 12:30	IN	RBI Cash Reserve Ratio	07-Feb	4.00%	--	4.00%	--
02/07/2025 15:00	GE	Industrial Production SA MoM	Dec	-0.70%	--	1.50%	--
02/07/2025 15:30	TH	Gross International Reserves	31-Jan	--	--	\$241.8b	--
02/07/2025 16:00	TA	CPI YoY	Jan	2.50%	--	2.10%	--
02/07/2025 16:00	TA	Exports YoY	Jan	5.80%	--	9.20%	--
02/07/2025 16:30	HK	Foreign Reserves	Jan	--	--	\$421.4b	--
02/07/2025 21:30	US	Change in Nonfarm Payrolls	Jan	175k	--	256k	--
02/07/2025 21:30	CA	Unemployment Rate	Jan	6.80%	--	6.70%	--
02/07/2025 21:30	US	Unemployment Rate	Jan	4.10%	--	4.10%	--
02/07/2025 21:30	CA	Net Change in Employment	Jan	25.0k	--	90.9k	91.0k
02/07/2025 21:30	US	Change in Manufact. Payrolls	Jan	1k	--	-13k	--
02/07/2025 23:00	US	U. of Mich. Sentiment	Feb P	71.8	--	7110.00%	--
02/07/2025 23:00	US	Wholesale Inventories MoM	Dec F	-0.50%	--	-0.50%	--

Source: Bloomberg

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